

WEST VIRGINIA INFORMATIONAL LETTER

NO. 27

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TO: All Property And Casualty Companies Licensed To Do Business  
In The State Of West Virginia; And All Other Interested  
Persons

The 1984 session of the West Virginia Legislature enacted House Bill 1267 (West Virginia Insurance Code Section 33-20-17) which states, "For the purpose of determining the proper premium to be charged for coverage issued upon a dwelling situated in the state, commercial activities conducted by the insured shall not be taken into consideration by the insurer unless conducted within the dwelling." The effective date of this provision was May 28, 1984.

The intent of this statute is to prohibit insurers from commercially rating or underwriting risks that involves situations where incidental activities are conducted by an insured or prospective insured in a dwelling or appurtenant structure. For example, it would not be permissible for an Insurer to rate or underwrite a dwelling as a farm risk when in fact, the insured is only selling excess farm produce. However, it would be permissible to rate and underwrite a dwelling that forms a part of the commercial farm risk, as a farm dwelling. Similarly, if a beauty shop or grocery business is conducted within the dwelling premises, then the risk could be rated and underwritten as a commercial risk.

The overall intent of Section 33-20-17 of the West Virginia Insurance Code is to prohibit insurers from rating and underwriting any small, non-commercial "mom and pop" business operation, as a commercial dwelling risk.

Please direct any inquiries to William L. Woosley, Director, Rates and Forms Division, telephone 304/348-2094.

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Insurance Commissioner